

UIC
501.07-05

INTERNAL REVENUE SERVICE
District Director

DEPARTMENT OF THE TREASURY

CERTIFIED MAIL

DATE:

JUN 02 1997

Form Number:

990

In Reply Refer To:

Person To Contact:

Contact telephone Number:

Period(s) Ended:

Dear Taxpayer:

On ... you were held exempt from Federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code (Code).

Section 501(c)(7) of the Code provides for the exemption from Federal income tax of clubs organized for pleasure, recreation, and other nonprofit purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Regulations 1.501(c)(7)-1(a) states in part:

"...In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments."

Public Law 94-568 amended Code section 501(c)(7) to permit such an organization to receive up to 35 percent of its gross receipts, including investment income, from sources outside of its membership without losing its tax exempt status. Of the 35 percent, not more than 15 percent of the gross receipts may be derived from the use of the club facilities or services by the general public or from other activities not furthering social or recreational purposes for members.

As a result of our examination of your activities and financial records for the year ended ..., it was determined that there is more than an insubstantial degree of nonmember income. Specifically, the non-member income accounts for ... percent of your gross receipts.

Since you do not satisfy the income test, you are disqualified from continuing exemption under Code section 501(c)(7). You have agreed to revocation as of _____ by signing Form 6018, Consent to Proposed Adverse Action.

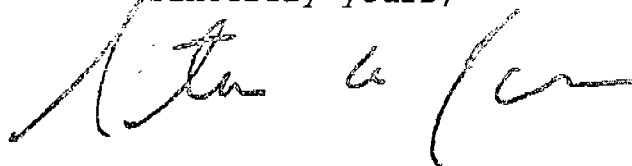
Accordingly, this letter constitutes your formal notification of the revocation of your exemption from Federal income tax under the provision of Code section 501(c)(7), effective _____.

You are required to file Form 1120 (U.S. Corporate Income Tax Return), for the taxable years beginning _____ and all subsequent years.

If you have any questions, please contact the person whose name and telephone number are shown above.

Thank you for your cooperation.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Steven A. Jensen", written over a horizontal line.

Steven A. Jensen
District Director

Enclosure:
Form 6018

Copy to:
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